

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 FCSC-01 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

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STR-08 CEA-02 L-03 H-03 PA-03 USIA-15 PRS-01 DRC-01

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FM AMEMBASSY PRAGUE

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C O N F I D E N T I A L PRAGUE 2137

E.O. 11652: GDS

TAGS: PFOR, EFIN, CZ, L/C

SUBJECT: CLAIMS NEGOTIATIONS SESSION 1

1. BEGIN SUMMARY. AT CORDIAL OPENING SESSION OF CLAIMS NEGOTIATIONS CZECHS REVIEWED RECENT IMPROVEMENT OF BILATERAL RELATIONS AND SET STAGE FOR TALKS BY FOCUSSED ON: (1) NEED FOR NEW APPROACH NOT TIED TO TERMS OF ABORTIVE 1964 AGREEMENT, (2) QUESTION OF AMOUNT OF LUMP SUM PAYABLE, WHICH THEY DID NOT SPECIFY, AND (3) METHOD OF PAYMENT, WHICH WAS RELATED TO STATE OF TRADE. US DELEGATION OUTLINED ISSUES TO BE RESOLVED IN SETTLEMENT. END SUMMARY.

2. CLAIMS NEGOTIATIONS OPENED SEPTEMBER 10 AT FOREIGN MINISTRY. CHIEF OF CZECHOSLOVAK DELEGATION ZANTOVSKY WELCOMED AMERICAN DELEGATION AND INTRODUCED OTHER MEMBERS OF HIS DELEGATION: CHIEF OF MINISTRY OF FINANCE DIVISION ZAMOVIA, HEAD OF MINISTRY OF FINANCE SECTION PAVELKA, MINISTRY OF FOREIGN TRADE REPRESENTATIVE SESTAK, MINISTRY OF FOREIGN AFFAIRS LEGAL DEPARTMENT PIVONKA, AND MFA 6TH DEPARTMENT MATEJKA.

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3. ZANTOVSKY BEGAN WITH GENERAL REVIEW OF RECENT FAVORABLE

DEVELOPMENT OF BILATERAL RELATIONS, INCLUDING VISIT BY FORMER SECRETARY ROGERS TO PRAGUE TO SIGN CONSULAR CONVENTION AND TO AGREE TO OPENING OF PRESENT TALKS. AGREEMENT OF CLAIMS ISSUE WOULD FORM A BASIS FOR DEVELOPMENT OF ECONOMIC, COMMERCIAL, SCIENTIFIC AND CULTURAL RELATIONS. CZECHOSLOVAK DELEGATION, ZANTOVSKY SAID, WAS APPROACHING PROBLEM WITH THE EXPECTATION FOR SUCCESS IN FINDING EQUITABLE SOLUTION.

4. ZANTOVSKY SAID THAT CZECHOSLOVAKIA CONTINUES TO BE WILLING TO PROVIDE ADEQUATE COMPENSATION FOR NATIONALIZED PROPERTY. THERE WERE, HE SAID, TWO ASPECTS TO SETTLEMENT: AMOUNT AND METHOD OF PAYMENT. CONCERNING AMOUNT, CZECHOSLOVAKIA FELT FREE TO OFFER NEW PROPOSALS IN VIEW OF US FAILURE TO SIGN AGREEMENT NEGOTIATED IN 1964. CONCERNING METHOD OF PAYMENT, ZANTOVSKY CITED DEVELOPMENT OF US-CZECHOSLOVAK TRADE AND SAID THAT SINCE THE CZECHOSLOVAKS PLANNED TO MAKE THEIR PAYMENT FROM CURRENT TRADE WHICH WAS IN US FAVOR IT WOULD BE NECESSARY TO REMOVE IMPEDIMENTS SO THAT TRADE COULD BE MUTUALLY BENEFICIAL. CONSIDERATION OF TRADE THEREFORE FORMS PART OF CURRENT TALKS. TRADE MUST BE ASSIGNED ITS PROPER PLACE AND CONDITIONS FOR TRADE MUST BE NORMALIZED.

5. ZANTOVSKY THEN PROPOSED WITHOUT ELABORATION THAT TRADE TALKS SHOULD BE NEGOTIATED IN PARALLEL WITH CLAIMS TALKS AND THEY SHOULD BE IMPLEMENTED TOGETHER.

6. ZANTOVSKY NOTED THAT US APPROVAL WAS ONLY OBSTACLE TO RETURN OF GOLD HELD BY TRIPARTITE COMMISSION AS ENGLAND AND FRANCE AGREED THERETO AND THAT ITS RETURN WOULD CONTRIBUTE SUBSTANTIALLY TO DEVELOPMENT OF BILATERAL RELATIONS.

7. AFTER INTRODUCTORY REMARKS ALONG LINES STATE 177673, CHARGE OUTLINED ELEMENTS WHICH US CONSIDERED NECESSARY PART OF EVENTUAL SETTLEMENT AND WITH WHICH NEGOTIATIONS WOULD HAVE TO DEAL, AS FOLLOWS:

A. SETTLEMENT OF CLAIMS OF US CITIZENS VS. GOC WHICH AROSE BEFORE AUGUST 8, 1958--ADJUDICATED VALUE \$72.6 MILLION, AS WELL AS UNADJUDICATED CLAIMS ARISING AFTER THAT DATE--ESTIMATED VALUE \$2.4 MILLION--TOTAL \$75 MILLION.

B. UNBLOCKING OF TWO US ACCOUNTS IN CZECHOSLOVAKIA--  
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VALUE APPROXIMATELY \$1 MILLION.

C. SETTLEMENT OF PAYMENTS DUE UNDER US-CSSR SURPLUS PROPERTY AGREEMENT--PRINCIPAL AND INTEREST PAST DUE APPROXIMATELY \$7 MILLION (PRINCIPAL \$4.4, INTEREST \$2.6). RESUMPTION OF PAYMENTS TO BECOME DUE.

D. COMMITMENT BY GOC TO ENTER INTO DISCUSSIONS WITH BONDHOLDERS ASSOCIATION AND REACH AGREEMENT WITHIN SIX MONTHS FOR PAYMENT OF OUTSTANDING DEFAULTED DOLLAR BONDS.

E. WITHDRAWAL OF US OBJECTION TO RELEASE OF 18.4 METRIC TONS OF GOLD HELD BY TRIPARTITE GOLD COMMISSION.

F. CREDIT GOC WITH APPROPRIATE AMOUNT FOR STEEL MILL PURCHASED IN US AND LATER SOLD BY GOVERNMENT OF US FOR APPROXIMATELY \$9 MILLION.

G. RELEASE OF BLOCKED AND VESTED ACCOUNTS OF GOC AND CS NATIONALS IN US--APPROXIMATELY \$1.7 MILLION.

8. BOTH SIDES RESERVED COMMENT ON OTHER'S PROPOSALS AND AGREED TO RESUME SEPTEMBER 11. WE PLAN THEN TO ATTACK CONCEPT OF PARALLEL BETWEEN CLAIMS NEGOTIATIONS AND TRADE TALKS.  
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